

# Charity Care in Cook County

	2013 Charity Care (Pre-ACA)	2017 Charity Care
All Hospitals in Cook County, including Stroger and Provident	\$690M	\$554M
Stroger and Provident	\$257M	\$273M

Source: IDPH Hospital Profiles 2013, 2017, CCH Audited Financials

## How Do We Solve for Charity Care?

Absent federal or state policy that extends coverage to every individual, the growing demand for charity care will simply be unsustainable. Based on the trends of the past two years (and amid uncertainty around the future of the ACA) CCH is estimating that **charity care will exceed \$400M in FY2020.**

Without additional support, CCH may need to limit charity care. Potential solutions include:

### State & Federal Policy Options

- Universal coverage
- Requirements for private, non-profit hospitals to do more

### Potential CCH Strategies

- Additional Federal funding
- Additional State funding
- Additional County funding
- Growth and increased capture of insured patient revenue.
- Limit charity care to BIPA+DSH
- Discontinue services and/or consolidate facilities

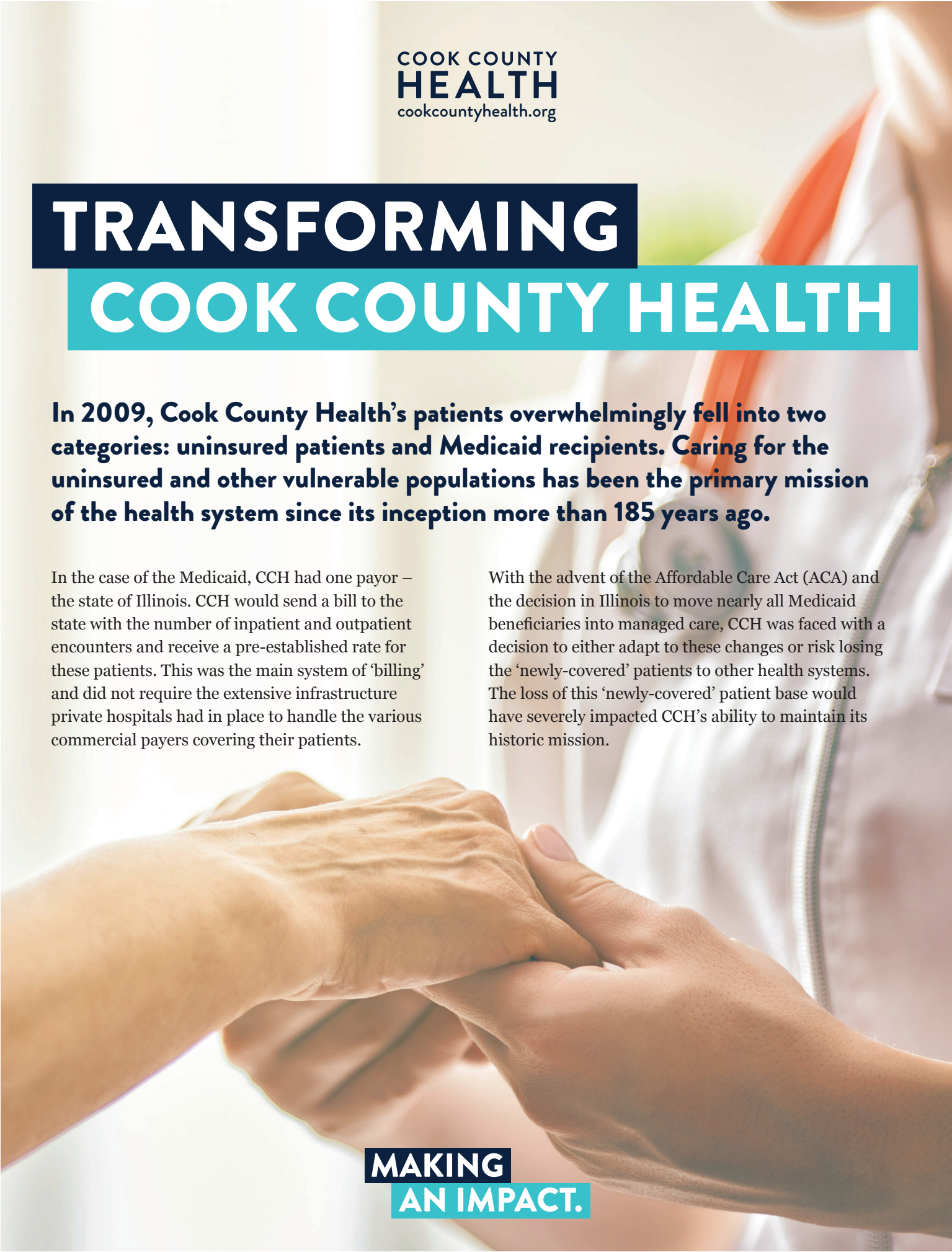


# TRANSFORMING COOK COUNTY HEALTH

**In 2009, Cook County Health’s patients overwhelmingly fell into two categories: uninsured patients and Medicaid recipients. Caring for the uninsured and other vulnerable populations has been the primary mission of the health system since its inception more than 185 years ago.**

In the case of the Medicaid, CCH had one payor – the state of Illinois. CCH would send a bill to the state with the number of inpatient and outpatient encounters and receive a pre-established rate for these patients. This was the main system of ‘billing’ and did not require the extensive infrastructure private hospitals had in place to handle the various commercial payers covering their patients.

With the advent of the Affordable Care Act (ACA) and the decision in Illinois to move nearly all Medicaid beneficiaries into managed care, CCH was faced with a decision to either adapt to these changes or risk losing the ‘newly-covered’ patients to other health systems. The loss of this ‘newly-covered’ patient base would have severely impacted CCH’s ability to maintain its historic mission.





## CountyCare, the Largest Medicaid Managed Care Plan in Cook County

To that end, CCH sought and was awarded a federal 1115 waiver in 2012 to start a Medicaid health plan, CountyCare. CountyCare has allowed CCH to provide a Medicaid coverage option for previously-uninsured patients who had long relied on CCH but were now covered under Medicaid thanks to the ACA. Today, CountyCare stands as the largest Medicaid managed care plan in Cook County, despite competing against national players like Blue Cross Blue Shield, Centene and Meridian.

CountyCare and the other Medicaid managed care organizations receive a capitation rate for every member and then provide reimbursements to providers for care rendered. Similar to a Health Maintenance Organization (HMO), each plan has a network of providers, hospitals and ancillary service providers such as pharmacy and optical. In the case of CountyCare, the network includes all CCH physicians and facilities but also includes more

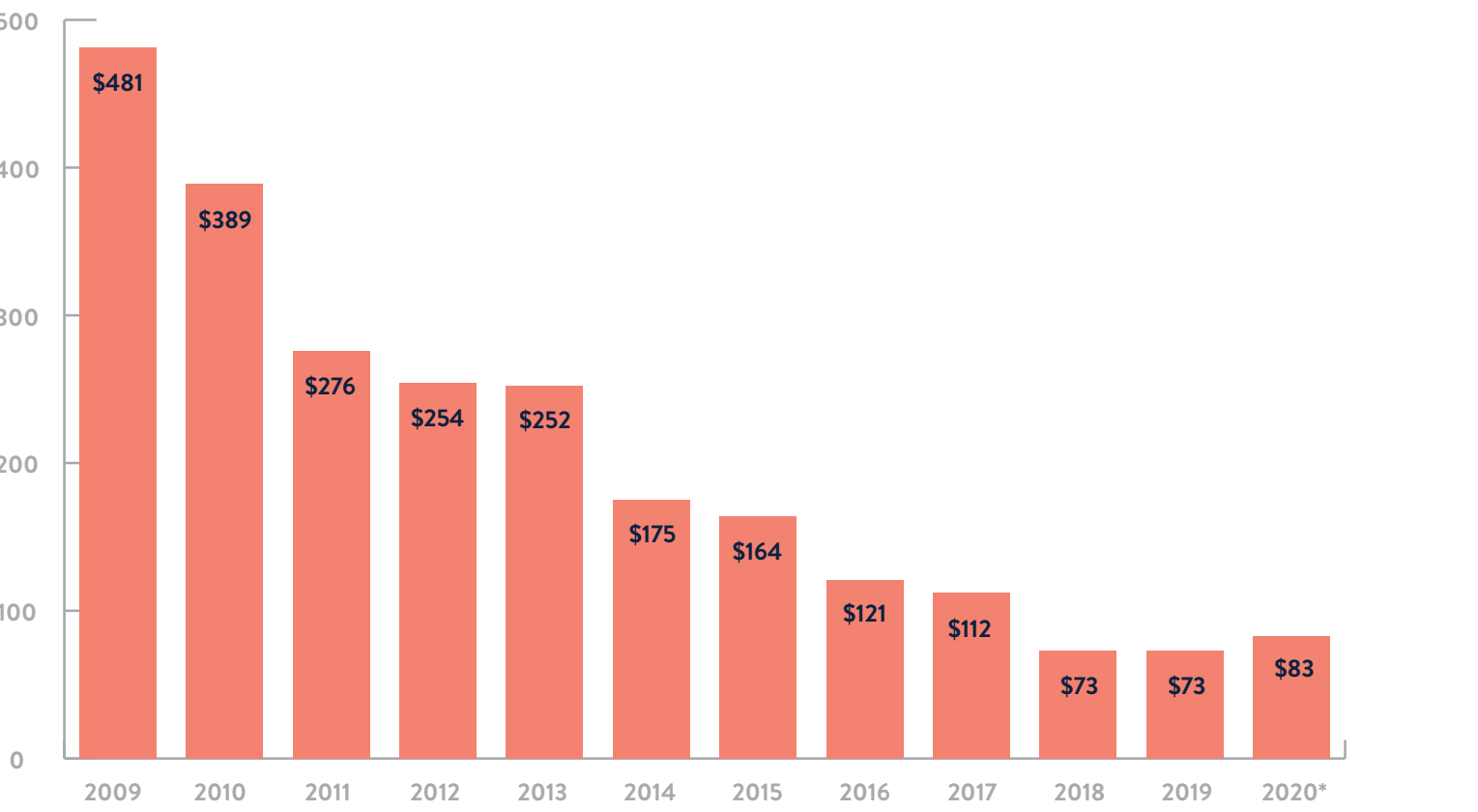
than 1,400 primary care providers, 15,000 specialists and 70 hospitals outside of the health system.

**CountyCare processes nearly 5 million claims annually.** When a CountyCare member is seen in their physician’s office or uses covered pharmacy benefits, a claim is submitted to CountyCare that must be adjudicated and paid according to the provisions of each individually negotiated contract with CountyCare. Building this network and the requisite infrastructure to run a large Medicaid health plan was done in just a couple years.

The success of CountyCare has paralleled a continued and significant decline in the local tax allocation CCH receives. Today, that tax allocation represents 3% of CCH’s operating revenues. That decrease in the local tax allocation has allowed the County to reallocate more than \$2.5B to other county agencies.

## Cook County Operating Allocation

The operating allocation is directed to the operations of Correctional Health & Public Health, services CCH provides on behalf of Cook County Government.



\* Proposed

Note: Pension and Debt Service not included. Until 2016, Cook County Government provided capital funding in addition to the allocation.

## Cook County Health as a Provider of Health Care

On the provider side of the health system, recall that the majority of CCH’s patients pre-ACA were enrolled in Medicaid or uninsured. That patient mix largely remains today. Previously, CCH billed one entity (the state of Illinois) for Medicaid encounter rates. Now, CCH has contracted with every Medicaid managed care organization (MCO) and their ancillary benefit managers to ensure that when a member of any Medicaid MCO is seen in a County facility, the health system can bill and collect accordingly.

For a sense of scale, **in 2014, the health system generated 853K bills versus 1.344 million in 2017** – a 58% increase in just three years. These efforts also contributed to lowered reliance on local taxpayers and offset the growing cost of charity care. This infrastructure did not exist at CCH five years ago and has required significant investment in staffing, training and Information Technology.

## Charity Care is the Mission

The mission to care for the uninsured continues to be at the heart of the health system. Despite the efforts of the ACA, 45% of the patients CCH serves today are uninsured, a number that has risen in the last several years as the result of efforts to gut the Affordable Care Act at the national level.

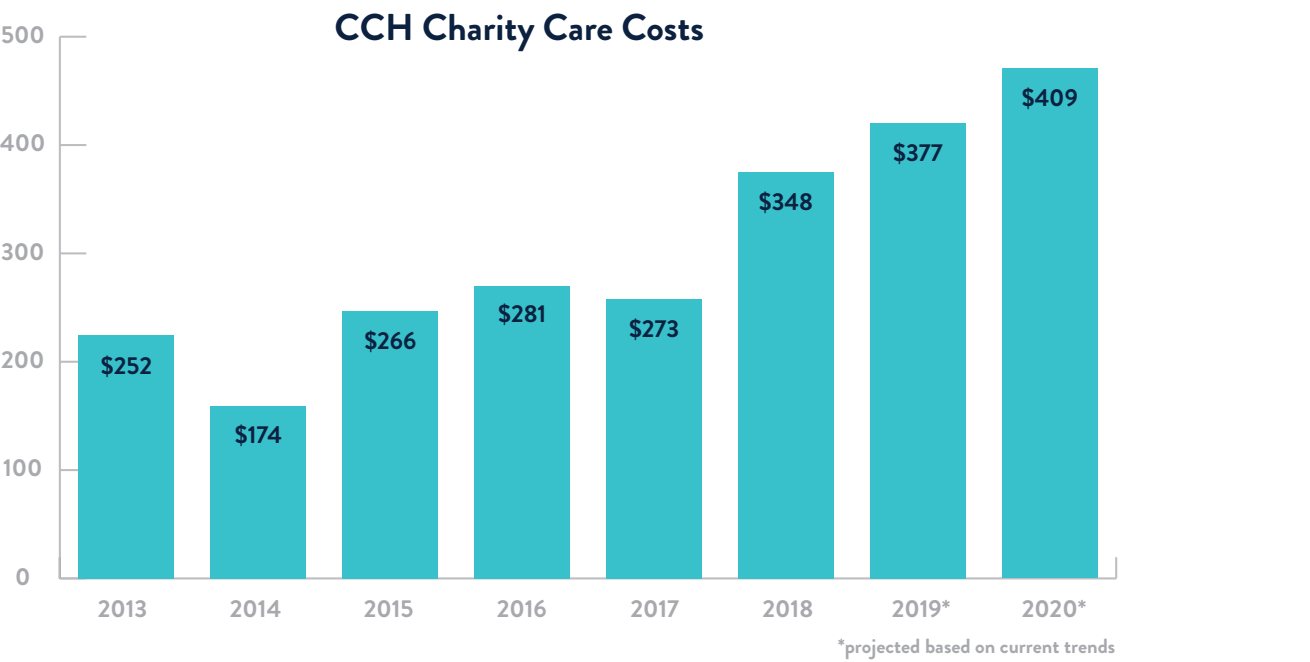
Today, **the health system’s two hospitals provide more than 50% of all the charity care in Cook County.** The exponential growth in charity care over the past two years alone has required CCH to generate an additional \$140M+ over federal dollars\* CCH receives toward uninsured

The local operating tax allocation of \$72M in FY2019 assists CCH only in offsetting costs for Cook County mandated services for which CCH cannot receive reimbursement - the provision of health care at the Cook County Jail and Juvenile Temporary Detention Center, and the services of the Cook County Department of Public Health. All other supplies, pharmaceuticals, salaries and expenses related to CCH are being covered through patient fees and other funding sources.

Additionally, CCH is now paying for all capital equipment, paying debt service on all new capital projects and contributing more than \$29M annually toward current pensions obligations. Cook County Government provides additional funding to cover legacy debt service and pension.

expenses. It is critical to note that these costs have been absorbed through CCH-generated revenues, not local taxpayers, and rise every year with general inflation.

All this said, without leveraging the ACA, contracting with commercial Medicaid MCOs and building an infrastructure to bill and collect, it is unlikely the system’s 185-year mission would survive. With no other health system in Cook County coming close to the amount of charity care CCH provides, it is hard to imagine who would cover these patients.



\* Disproportionate Share Hospital (DSH) and Benefits Improvement and Protection Act (BIPA) payments.